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NSC BRIEFING

11 September 1957

INDONESIA

- I. Outcome of "National Roundtable Conference" now meeting in Djakarta may well be decisive in determining whether Indonesian unity can be preserved.
 - A. President Sukarno and former vice president Hatta are participating as "chief advisers" to the conference and representatives of all provinces--including Lt. Col. Hussein of Central Sumatra and Lt. Col. Sumual of North Celebes--are present.
 - B. There is very little optimism in Djakarta that conference will be successful, although many share hope of Premier Djuanda that it will produce a more "congenial atmosphere" for the settlement of outstanding problems at a later date.
 - C. Government-drafted agenda is extremely broad and vague, apparently designed to avoid head-on clashes between conferees; Djuanda's opening speech also platitudinous.
- II. Unlikely, however, that such basic issues as provincial demands for restoration of Sukarno-Hatta cooperation, greater autonomy, Sukarno's program for "guided democracy", increasing threat of Communism and reorganization of the army can be kept under the rug.
 - A. In recent tour of East Indonesia, Sukarno pulled no punches in denouncing regional leaders, plugged his program, and was uncompromising in demanding the maintenance of a highly centralized form of government.

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B. Hatta, in a 2 September press article, reiterated his opposition to Sukarno and asserted that Indonesia's leadership rather than its system of government is responsible for the country's present difficulties.

1. Although two leaders did not shake hands when conference opened, they have since held a secret meeting which probably will have important bearing on conference's outcome.

C. Indicative of provincial leaders attitude is statement by South Sumatra commander, Lt. Col. Barlian, at preconference meeting of dissidents in Palembang^{AN} in which he denounced "ungodly group who are moving to gain control of the state with the purpose of establishing a dictatorship."

III. Some Indonesian leaders fear that an impasse between Sukarno and the disaffected leaders will develop and prompt Sukarno to take "drastic action" to enforce his views. 25X1C

A. [REDACTED] disaffected leaders are prepared for such an eventuality.

1. [REDACTED] 25X1C Sumatran leaders have decided to establish an emergency government independent of Djakarta.

2. They had first considered taking the step after learning of Communist election victories in Java, but decided to postpone it until after the conference.

3. Sumual of North Celebes reportedly will support the Sumatrans.

IV. In contemplating separatism, the Sumatran commanders undoubtedly are banking heavily on Sumatra's oil--along with rubber and tin--to keep them in business.

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- A. This oil is now being produced by three Western oil companies, two of them American (Caltex and Stanvac); the third is BPM, a Dutch subsidiary of Shell.
- B. The oil companies are still paying revenues to Djakarta, and Sumatrans undoubtedly hope that once they achieve full autonomy these revenues would be retained locally.
- C. Petroleum products account for 20 to 25 percent of value of Indonesia's total exports; of this, Sumatran oil accounts for approximately 85 percent.
 - 1. Reserves in proven fields in Sumatra are estimated currently at about 1.2 billion barrels; the geological features of the island, however, are such that chances are believed good for additional major discoveries. (For comparison, proven reserves in Middle East total 145 billion barrels.)
 - 2. One competent oil executive thinks it safe to estimate that reserves of over 20 billion barrels could be established. However, prospecting has been prohibited by the Indonesian government.

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